DOCUMENT RESUME

ED 289 617 PS 017 062

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TITLE Taylor Proposes Five-Year Child-Care Program.
PUB DATE 27 Apr 87
NOTE 9p.; Paper presented at the Annual Meeting of the Minnesota Council on Family Relations (St. Paul, MN, November 5, 1987).
PUB TYPE Reports - Descriptive (141) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Child Advocacy; Child Development; Childhood Needs; *Day Care Centers; Early Childhood Education; *Early Parenthood; *Employer Supported Day Care; Financial Support; *Low Income Groups; *State Government; *State Programs

ABSTRACT

Senator Glen Taylor of Minnesota proposed a five-year child-care program for the purposes of encouraging employer-sponsored child care and increasing by 53,000 the number of children in low-income families who were covered. This report lists central features of the program, which include: (1) tax incentives which employers can use when they build child-care facilities near work sites; (2) the use of the same tax incentives for all employers who start new programs in order to subsidize directly employee child-care costs; (3) establishment of a child-care advocacy and information office in state government; (4) the use of incentives for program accreditation for the purpose of improving child development and care programs as well as child safety; (5) a guarantee to fully fund child care for certain low-income families; and (6) a commitment to fully fund child care for mothers under 21 years old who wish to finish high school. Background and supporting information on the program covers national and Minnesota family and child-care trends, Minnesota's sliding fee trends and expenditures, Minnesota's current sliding fee law, and additional background information specific to Taylor's proposal. The document also includes five charts on the status of Minnesota day care. (SKC)

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FOR RELEASE
April 27 and 28, 1987

TAYLOR PROPOSES FIVE-YEAR CHILD-CARE PROGRAM

Sen. Glen Taylor (Mankato) proposed a five-year program today to encourage employer-sponsored child care and cover 53,000 additional children in low-income families.

With child-care needs rising and growth in new facilities dramatically slowing, the proposal is aimed at increasing child-care opportunities for all Minnesota families, Taylor said.

"Only 38 percent of child-care needs are now being met by licensed child-care facilities in Minnesota. That means we must have leadership to encourage more quality care for all Minnesota families. And we need to pay special attention to the needs of low-income families if we expect such parents to work and become financially independent," Taylor said.

Among the central features of the Taylor program are:

- Tax incentives for employers to build child-care facilities near work sites;

- The same tax incentives for all employers who start new programs to subsidize directly employee child-care costs;

- Establishment of a child-care advocacy and information office in state government to assist licensing while improving quality requirements;

- Incentives for program accreditation to improve child development and care programs as well as child-care safety;

- A guarantee for the first time in Minnesota history to fully fund child care for families at 125 percent of the federal poverty line or below, and a plan calling for an additional $107 million of state funds by 1991 for low-income families; and

- A commitment for the first time in Minnesota history to fully fund child care for mothers under 21 who are seeking to finish their high school education while living at home.

(more)

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A central element of the proposal is encouraging expansion of child-care facilities by employers near the workplace, Taylor said. The proposal calls for a 50 percent tax credit, decreasing over five years, for employers to construct, equip and operate qualified child-care facilities. In addition, both on-site and residential facilities would be aided by ending the state sales tax on materials, supplies and equipment for construction, renovation and equipping facilities.

The Taylor proposal would promote new assistance for all working Minnesotans by offering the same tax incentives to employers who initiate individual child-care subsidies to be used at child-care facilities of the employee's choice. The subsidy would be paid directly to the child-care provider, thus reducing self-employment taxes for the employee.

Taylor also proposed a new state office to help child-care providers understand and comply with state regulations. Taylor's proposal would reassign and fund eight positions in the state Department of Human Services. "If we offer the resources so that providers will see this office as an ally, we'll ensure our children's safe care while cutting red tape and long licensing waits," Taylor said.

The Mankato senator's proposal seeks to maintain or improve program quality through training and accreditation incentives. A tax credit would be given for training to improve child-care provider skills. Child-care programs accredited by the National Association for the Education of Young Children, or a similar accreditation program, would be reimbursed for fees.

The Taylor proposal would also significantly increase child-care opportunities for low-income Minnesota families, enabling parents to work with the assurance of good care for their children. Families would receive complete support for child care up to 125 percent of the poverty level; as their incomes rose above that level, they would pay increasingly more from their own resources until they reached the 270 percent upper limit for assistance.

Under the Taylor proposal, a family of three with an income at the poverty level ($9,120) would qualify for full financial assistance. Under current law, this family would be earning almost $3,000 too much to qualify for full assistance.

(more)

The Taylor program would offer special support to mothers under 21 who are finishing their high school education. Such mothers would receive full child care funding without being forced to leave their parents' home. "With this initial help to young mothers, we'll be creating more productive citizens who over the long run will cost taxpayers far less," Taylor said.

Taylor would fund an additional $8.4 million--the same as the governor's proposal--for the F.Y. 1988-89 biennium. He would dedicate the first $2.5 million of additional state revenues over current revenue projections for speeding up expansion toward the 270 percent of poverty goal in F.Y. 1992. The Taylor plan would add $10 million per year in F.Y. 1990, '91 and '92, for total additional assistance of $107 million by F.Y. 1992. Taylor would also appropriate $10.6 million for post-secondary low-income students, the level proposed in the governor's budget.

Under the Taylor plan, child care for 16,587 more children under age six would be fully funded during the next five years than at present. By the fifth year of the plan a potential 53,871 more children under age six would be assisted.

"We need a five-year plan to tell potential providers that the state is committed over the longer run to more and better child care. We need to provide incentives for parents, children and employers for child-care solutions which best fit their particular circumstances. We need to tell our low-income families that we will help them make the transition to the world of work. My proposal seeks to provide a longer-term framework for those most directly concerned," Taylor said.

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Taylor Child-Care Proposal

Background and Supporting Information

National and Minnesota Family and Child-Care Trends

1. The family structure in Minnesota and the nation has dramatically changed in the last 20 years. One of the driving forces behind the family change is the increased number of working mothers. More than half of married women with children under age six are employed, compared with only one in eight in 1950, Census Bureau statistics show.

2. Nearly half the work force is made up of two-career couples and single parents. Of the mothers with children under three at least 45 percent have jobs. Nearly half of the mothers with children less than one year old work. One family in six is headed by a single, divorced or widowed woman.

3. In 1980, there were 567,000 dual-career families with children that were 17 or younger in Minnesota. Forty-five percent of these dual-career families had children under age six.

4. In Minnesota during 1980, there were 333,484 single mothers in the labor force with a child 17 or younger. Thirty-eight percent of the children with single mothers were under age six.

5. According to a February 16, 1987 Fortune survey, one of three parents of infants and one of four parents of 3-to 5-year-olds, reported that finding care was difficult.

6. This recent trend has resulted in a larger demand for quality child care than supply can match.

Minnesota Child-Care Trends

1. There are 10,000 licensed homes and centers caring for 147,000 children.

2. The number of Minnesota children under age six increased by 35,879 (10 percent) between 1980 and 1985.

3. The number of child-care openings in Minnesota increased by 20 percent between 1980 and 1981. The next year the growth rate dropped to 7 percent. The growth rate fell to 3 percent each year between 1982 and 1985.

4. Over 50 percent of mothers with preschoolers, and 75 percent of mothers with school-age children work outside the home.

5. Almost 50 percent of mothers with children under age one work.

Minnesota Sliding Fee Trends and Expenditures

1. Pilot Sliding Fee programs were begun in the mid-70s by several counties using funds from the state's Child Care Facilities Act.

2. County participation in the sliding fee program was voluntary. In 1984, only 24 percent of Minnesota's 87 counties participated. Funding levels gradually increased to $2.3 million for fiscal year 1985.

3. In 1985, the state legislature made three significant changes to the program: it became mandatory for all counties to participate; the funding was increased from $3 million for the biennium to $10 million; and the program was moved from the Department of Human Services to the Department of Jobs and Training. The move signified the importance of the program in moving people off welfare and into the job force.

4. The sliding fee program served 10,568 families with 16,265 children in F.Y. 1986. Aid to Families with Dependent Children (AFDC) families composed 39 percent of recipients.

5. In October 1986, there were 2,626 families on county waiting lists, and the list is growing at the rate of 349 per month.

6. The state's Child Care Sliding Fee appropriations would have to be increased to a minimum of $30 million for the 88-89 biennium to meet the October waiting list need. According to Resources for Child Caring, the funding may need to be $45 million to meet the projected June 1987 waiting list.

7. There are 43 counties with child-care waiting lists.

8. The 1986-87 state appropriation was $10.1 million.

9. In F.Y. 1986, Minnesota counties spent a total of $16.6 million on child-care assistance. State sliding fee allocation contributed to $3.7 million of this amount. Other sources of funding were federal Title XX programs, federal AFDC special needs program, state Community Social Services Act (CSSA) block grant program and county property tax funding.

Minnesota's Current Sliding Fee Law

1. The program is administered in the Minnesota Department of Jobs and Training.

2. The commissioner allocates 50 percent on the basis of care loads of aid to families with dependent children for the preceding fiscal year.

3. No more than 55 percent of the money can go to the seven-county metropolitan area. The same percentage limit is placed on the remaining area of the state.

4. The commissioner allocates 50 percent of the money among counties on the basis of the number of families below the poverty level, and the other 50 percent on the basis of care loads of aid to families with dependent children for the preceding fiscal year.

5. Counties contribute 15 percent of the cost of the program.

6. No more than 7 percent of the sliding fee funding can be used for administration of the program.

Minnesota Family Income Distribution - 1980

Type of Family	Less than $5,000	$5,000 to $9,999	$10,000 to $14,999	$15,000 to $19,999	$20,000 to $24,999	$25,000 to $34,999
Married Wife Works						
With Children under age 18	5,552	10,445	23,372	40,090	54,459	88,491
With Children under age 6	2,817	5,567	13,732	22,620	25,969	29,663
Single Husband Works						
With Children under age 18	941	1,692	1,933	2,102	1,948	1,703
With Children under age 6	495	707	730	653	373	205
Single Female Works						
With Children under age 18	6,598	13,915	13,561	7,048	3,074	2,263
With Children under age 6	3,273	5,036	3,290	1,037	296	186
Single Female Home						
With Children under age 18	9,361	5,611	1,525	574	217	273
With Children under age 6	6,668	3,152	545	139	51	28
Total Number of Minnesota Families	58,864	120,522	143,008	157,432	163,687	224,990

Source: U.S. Census

Family Income of Minnesota Children - 1980

Child's Age	Children Below Poverty	Children Below 125% Poverty	Children Below 200% Poverty
Children less than 3	23,051	30,764	65,001
Children 3 - 4	14,302	19,298	39,058
Children 5	7,005	9,262	19,336
Children 6 - 13	50,365	69,632	146,805
Total Number of Children	94,723	128,956	270,200

Source: U.S. Census

Background on Taylor Proposal

1. Offer employers a five-year tax credit for 50 percent of operational costs if they develop on-site child care for the first year. The percentage of operational costs would be reduced on the following schedule: Year 2: 40 percent; Year 3: 30 percent; Year 4: 20 percent; Year 5: 10 percent. Issue: This allows the parents an additional child-care option, will help to expand the number of child-care facilities and possibly reduce state child-care subsidy costs.

2. Eliminate the construction sales tax if the construction is directly related to child-care activities. This exemption would be available for companies, centers and private homes. Issue: We need additional child care in Minnesota.

3. Eliminate the sales tax on materials and supplies that are directly related to child care. Issue: Nonprofits do not pay a sales tax. We need to encourage the resources that are available to the children's development.

4. Study the possibility of a uniform funding system for subsidizing child care. Right now there are a number of different sources. Administrators of the system believe it would be considerably easier to administer, with considerably less paper work, if the money came in one stream.

5. At a minimum, income eligibility for full subsidy for child care for working parents should be set at 125 percent of the federal poverty level; partial subsidies should be available on a sliding fee scale basis for parents whose incomes are between 125 percent and 270 percent of the federal poverty level.

Initial emphasis should be to ensure that families meeting the 125 percent of poverty level standard have access to a full child-care subsidy in all counties of the state. Subsequent yearly increases in state assistance would improve services in all counties, allowing more eligible families to be served.

This proposal would expand state subsidies to increase at least $10 million a year for the next five years.

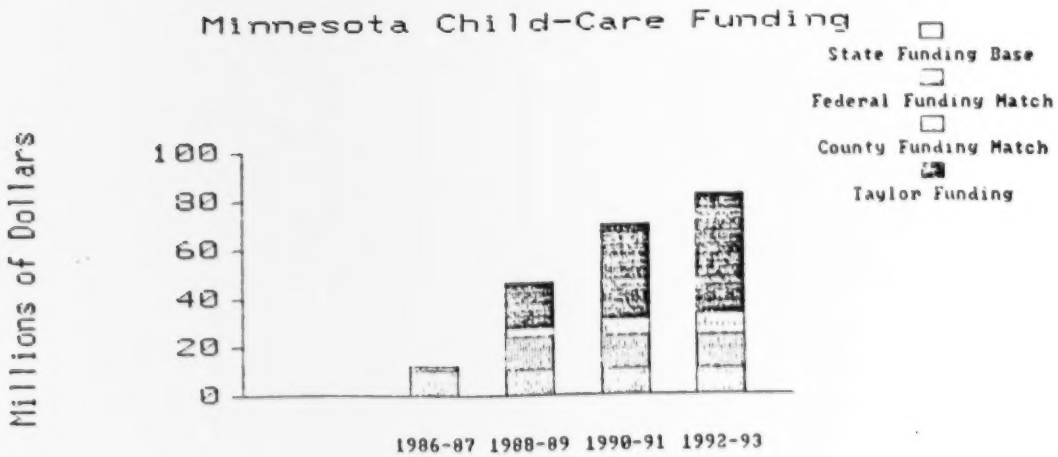
Current Minnesota Sliding Fee Program

Family Size	State Median Income	25% of Median	75% of Median
2	$20,934	$ 5,233	$15,700
3	25,859	6,465	19,295

Taylor Proposal For Expanding Low-Income Child Care

Family Size	1986 Fed Poverty Level	125% Poverty (Full Funding)	270% Poverty (Partial Funding)*
2	$ 7,240	$ 9,050	$19,548
3	9,120	11,400	24,624

*Subsidized funding would gradually decrease as family income increases. Parents would be required to pay an increased portion of the day-care costs up to the 270 percent of poverty. Once the family income was above the 270 percent, they would pay the full cost of day care.



(millions of dollars)

	1986-87	1988-89	1990-91	1992-93	1988-93
State Funding Base	10.10	10.10	10.10	10.10	30.30
Federal Funding Match	0	13.90	13.90	13.90	41.70
County Funding Match	1.80	3.30	6.80	8.60	18.70
Taylor Funding	0	19	39	49	107.0
TOTAL FUNDING	11.90	46.30	69.80	81.60	197.70